



OFFICE OF THE ATTORNEY GENERAL OF TEXAS
AUSTIN

GROVER SELLERS
ATTORNEY GENERAL

Honorable H. A. Jamison, Commissioner,
Department of Banking
Austin, Texas

Dear Mr. Jamison: Opinion No. 0-6078

Re: Loan limit of a State-
chartered loan association.

Your request for an opinion upon the above subject-matter is as follows:

"We have received an inquiry from a state chartered association as to the amount of its legal loan limit. The total assets of the inquiring association is \$6,000,000.00 and they inquire as to whether or not their legal loan limit to any one borrower would be \$50,000.00 or \$80,000.00, in which latter event the amount would be computed on the basis of a flat loan limit of \$50,000.00 plus an additional authorization of one half of one per cent of the assets of the association.

"We invite your attention, therefore, to Section 25 Vernon's Annotated Statutes, Building and Loan Laws, in the consideration of the question as to the loan limit of the inquiring association. In this connection you are advised that it has been the policy of this department to construe the Section mentioned as establishing a loan limit of \$50,000.00 to any one borrower or a greater sum if one half of one per cent of the assets of the association represents an amount greater than \$50,000.00. For instance a \$12,000,000.00 association based upon our past construction of the section would have a loan limit of \$50,000.00 to any one borrower rather than a loan limit of \$110,000.00 as would be the case if the two references in the law are to be read together."

Honorable H. A. Jamison, page 2

It is the opinion of this department that the policy of your department, as stated by you, is in accordance with the true construction of the statute.

The pertinent part of Section 25 of Article 881a of the statutes is as follows:

"§ § §, and provided further that no building and loan association shall at any time make loans in the aggregate in excess of fifty thousand dollars to one borrower unless such loan or loans in excess of fifty thousand dollars shall be not more than one-half of one per cent. of the assets of such association; * * *."

This means that such "loan or loans in excess of fifty thousand dollars" as a whole shall not be more than one-half of one per cent. of the assets of the association. It does not mean that that portion of such loan or loans which portion is in excess of \$50,000.00 may be equal to one-half of one per cent. of the assets of such association. Your instance of illustration is apt, and correctly states the true rule.

Very truly yours

ATTORNEY GENERAL OF TEXAS

By (s) Ocie Speer
Assistant

GS:MR

OS:FO

APPROVED JUN 29, 1944

(s) Geo. P. Blackburn
(Acting) ATTORNEY GENERAL
OF TEXAS

APPROVED OPINION COMMITTEE
BY (S) BWB, CHAIRMAN